

TITLE XIII— State Fiscal Stabilization Fund *(Last updated: January 28, 2009 at 3:17pm ET)*

State Fiscal Stabilization Fund (Total \$79 billion)

Grants to governors for state fiscal relief to prevent cuts to key services, including \$39 billion to local schools and higher education institutions distributed through existing state and federal formulas, \$15 billion as incentive grants to states that make key performance measures, and \$25 billion to states for other high priority areas such as public safety or other critical services, which may include education. *Italics added to highlight difference between House and Senate text.*

Flexible Fund

	House	Senate
Funds Availability	<ul style="list-style-type: none"> • ½ available July 1, 2009-September 30, 2010 • ½ available July 1, 2010-September 30, 2011 	<ul style="list-style-type: none"> • Available through September 30, 2010.
Obligation Period	<ul style="list-style-type: none"> • “Use it or lose it” provision requires governor to obligate funds within one year of receiving funds or the Secretary may reallocate funds to other states. 	<ul style="list-style-type: none"> • Same as House
Allocation	<ul style="list-style-type: none"> • 61% percent on the basis of population of individuals aged 6 through 24 • 39% percent on the basis of the total population 	<ul style="list-style-type: none"> • Same as House
Usage of Funds for Education	<ul style="list-style-type: none"> • At least 61% of funds must be used to support elementary, secondary, or postsecondary education in a state. <ul style="list-style-type: none"> ○ A governor shall first use the funds to restore state K-12 and higher education funding to fiscal year 2008. <ul style="list-style-type: none"> ▪ Scenario I: If the funds are insufficient to restore spending levels, a governor shall allocate funds between K-12 and higher education relative to the state shortfall. ▪ Scenario II: Any remaining funds will be distributed to local education agencies relative to their Title I shares. 	<ul style="list-style-type: none"> • At least 61% of funds must be used to support elementary, secondary, or postsecondary education, <i>and as applicable early education programs and services.</i> <ul style="list-style-type: none"> ○ A governor shall first use the funds to restore state K-12 and higher education funding to fiscal year 2008. <ul style="list-style-type: none"> ▪ K-12: Funds are provided through the state’s principal elementary and secondary education funding formula, <i>and where applicable, through existing equity and adequacy state formula increases for FY 2009, 2010, and 2011 that were enacted prior to July 1, 2008.</i> ▪ HEA: Same as House ▪ Shortfall scenarios: Same as House
Usage of	<ul style="list-style-type: none"> • Up to 39% of funds may be used by a Governor for other 	<ul style="list-style-type: none"> • Same as House

Funds for Critical Purposes	critical purposes.	
MOE	<ul style="list-style-type: none"> To be eligible for an award, a state must maintain state spending on K-12 education at least at the level of fiscal year 2006; and a state must maintain state spending on higher education at least at the level for fiscal year 2006 (excluding capital projects and research and development). 	<ul style="list-style-type: none"> To be eligible for an award, a state must maintain state spending on K-12 education at least at the level of fiscal year 2006 <i>in FY2009 and FY2010</i>; and a state must maintain state spending on higher education at least at the level for fiscal year 2006 <i>in FY2009 and FY2010</i> (excluding capital projects and research and development).
Other Assurances	<ul style="list-style-type: none"> Assurances and Requirements for Funds: In addition to the Maintenance of Effort requirements, states shall: <ol style="list-style-type: none"> Teachers: Take steps to comply with Section 1111(b)(8)(C) of ESEA to ensure to address inequities between the distribution of teachers in high-and low-poverty schools, and to ensure that low-income and minority children are not taught at a higher rates than other children by inexperienced, unqualified, and out-of-field teachers. Data: Establish a longitudinal data system that includes the elements as described in the America COMPETES Act. Standards and Assessments: Enhance academic assessments to comply with ESEA related to the inclusion of students with disabilities, limited English proficient students, and the provision of accommodations for those students to participate in assessments. 	<ul style="list-style-type: none"> <i>In addition to the House provisions, states shall:</i> <ol style="list-style-type: none"> Standards and Assessments: <i>In addition to House provisions, also take steps to improve state content standards and student academic standards per the America COMPETES Act.</i> Corrective Action: Ensure compliance with Section 1116(a)(7)(C)(iv) and 1116(a)(8)(B) to oversee local school districts compliance with corrective action steps, e.g. replace staff, new curriculum, decrease management authority, appoint outside experts, extend school day or year, or restructure internal organization of school.
Other Provisions	<ul style="list-style-type: none"> Local education agencies must use funds in accordance with prevailing federal laws, such as NCLB, IDEA, or Perkins. Institutions of higher education must use funds to mitigate the need to raise tuition and fees for in-state students. Funds under this section may not be used for construction, renovation or repair of higher education institutions. State Reports: Governors receiving state stabilization fund shall submit a report to the Secretary describing use of 	<ul style="list-style-type: none"> Same as House Same as House Same as House

	<p>funds, how the funds distributed funds, the number of jobs saved or created, tax increases averted, progress to reduce inequities in the distribution of highly qualified teachers, progress to implement a state longitudinal data system, progress to develop a valid and reliable assessment for limited English proficient students and students with disabilities, the avoidance of higher education tuition and fees increases, and the extent to which higher education institutions of maintained, increased, or decreased enrollment of in-state students, and so forth.</p>	
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State Incentive Fund

	House	Senate
Appropriation	\$15 billion to states at Secretary's discretion	<ul style="list-style-type: none"> • Same as House
Allocation	<ul style="list-style-type: none"> • Funds are available to states that make significant progress with the above three assurances. 	<ul style="list-style-type: none"> • Funds are allocated to states that make significant progress with the above <i>four assurances in FY2010. In the application for a state stabilization fund, the governor will note the current status of each assurance for the Secretary to determine if significant progress has been made by the State.</i>
Usage of Funds	<ul style="list-style-type: none"> • Each state receiving an incentive fund award shall use at least 50% of award subgrants to local education agencies, relative to Title I share. 	<ul style="list-style-type: none"> • Same as House

Innovation Fund

	House	Senate
Appropriation	\$325 million	\$650 million
Allocation	<ul style="list-style-type: none"> • Funds are reserved for the Secretary to recognize states, local education agencies, or schools that make significant gains to close the achievement gap. 	<ul style="list-style-type: none"> • Funds are reserved for the Secretary to recognize <i>local education agencies, or a partnership between a nonprofit organization and one or more LEA's or a consortium of schools</i> that make significant gains to close the achievement

		gap.
Basic for Awards	<p>Significant progress in closing achievement gap, including</p> <ul style="list-style-type: none"> • Allow states, LEAs, and schools to expand work and serve as models of best practices; • Allow states, LEAs, and schools to partnership with the private sector and philanthropic community; and • Identify and document best practices that can be shared and brought to scale. <p>State, LEA, or school shall:</p> <ul style="list-style-type: none"> • Close the achievement gap; • Exceed state's annual measurable objectives for 2 or more consecutive years for all subgroups • Increase graduation rates, increased recruitment and placement of high quality teachers; • Demonstrate establish links with private sector or philanthropic community. 	<ul style="list-style-type: none"> • <i>Same as House, except for LEAs and school only (States are not eligible for awards).</i>